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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, AUGUST 24, 1999

APPLICATION OF

GTE SOUTH INCORPORATED
(Contel, Virginia)

CASE NO. PUC960134

Annual Informational Filing

ORDER GRANTING MOTION FOR NOTICE AND REFUND

On September 30, 1996, GTE South Incorporated (Contel, Virginia) ("Contel" or "the Company") filed its annual informational filing for its Contel service area with the State Corporation Commission ("Commission"). The Company filed financial and operating data for the twelve (12) months ending December 31, 1995.

On August 20, 1999, the Staff of the Commission ("Staff") filed a motion requesting that the Commission require Contel to refund to its customers \$15,199,838 plus interest for excessive earnings in the year 1995,¹ pursuant to the provisions of Paragraph 13 of the GTE South Alternative Regulatory Plan ("Plan"), adopted as Attachment 4 to the Commission's Final Order of October 18, 1994, in Case No. PUC930036. The Staff

¹ During calendar year 1995, GTE South Incorporated maintained separate operations in its Contel service area and in its Southwest service area, and filed separate Annual Informational Filings ("AIFs") and Cost Allocation Manuals ("CAMs") for each operation. Together, Contel and Southwest comprised the "GTE Companies."

further requested that the Commission direct Contel to publish notice of this matter and to establish a period for receipt of comments and requests for hearing.

In support of its motion, the Staff stated that it filed its Staff Report on June 11, 1999, which calculated a recommended refund amount of \$15,199,838, excluding interest. The Staff stated in its motion that the refund amount reflects revisions made pursuant to the Commission's Final Order in Case No. PUC950019, as well as other revisions explained in the Staff Report of June 11, 1999.

Based upon all of its revisions, the Staff calculated that Contel earned an intrastate tariffed services' return on equity of 18.29% for 1995. According to the Staff, this is in excess of the return on equity range of 10.96% to 13.96% ordered in Paragraph 12 of the Plan.

The Commission is of the opinion that Contel should be given opportunity to respond to Staff's Report filed in this Case, and pursuant to Paragraph 13 of the Plan, should provide notice and opportunity for a hearing to interested parties. Accordingly,

IT IS THEREFORE ORDERED THAT:

(1) Contel may respond to the Staff Report filed in this Case on or before September 17, 1999.

(2) Interested parties may file comments on the Staff Report and/or Contel's response thereto, or requests for hearing on or before October 4, 1999.

(3) If no sufficient requests for hearing is received, a formal hearing with oral testimony may not be held, and the Commission may make its decision based upon the papers filed in this proceeding.

(4) Contel shall publish notice of this matter on one occasion in newspapers having general circulation throughout its service territory. Such notice shall be by display advertisement (not classified advertising) and shall be completed on or before September 17, 1999. The form of this notice shall be as follows:

NOTICE OF STATE CORPORATION COMMISSION
REVIEW OF EARNINGS OF GTE SOUTH INCORPORATED
(CONTEL, VIRGINIA) FOR CALENDAR YEAR 1995
AND ASSOCIATED REFUND TO CUSTOMERS
CASE NO. PUC960134

On August 20, 1999, the Staff of the State Corporation Commission ("Staff") filed a motion requesting that the Commission order GTE South Incorporated (Contel, Virginia) ("Contel") to refund to its customers the amount of \$15,199,838 plus interest for excessive earnings in the year 1995, pursuant to the provisions of Paragraph 13 of the GTE South Alternative Regulatory Plan ("Plan").

On June 11, 1999, the Staff filed a report in this matter that recommended the refund amount of \$15,199,838, excluding interest.

Contel may file a response to the Staff Report in this matter by September 17, 1999. Pursuant to Paragraph 13 of the Plan, any person desiring to comment on either the Staff Report or Contel's response or both may do so on or before October 4, 1999. Interested parties may request copies of the Staff Report from the Commission's Clerk, Joel H. Peck, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218 and Contel's response from Richard D. Gary, Esquire, Hunton & Williams, 951 East Byrd Street, Richmond, Virginia 23219-4074. Any interested party may also request a hearing by filing such request on or before October 4, 1999. All comments and requests for hearing shall be filed with the Clerk of the Commission, Joel H. Peck, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218. All such filings should refer to Case No. PUC960134.

If no sufficient requests for hearing is received, a formal hearing with oral testimony may not be held, and the Commission may make its decision based upon the papers filed in this proceeding.

GTE SOUTH INCORPORATED (CONTEL, VIRGINIA)

(5) Contel shall file proof of publication of the notice directed above on or before October 4, 1999.

(6) Contel shall serve a copy of this Order forthwith on the chair of the board of supervisors of any county and upon the mayor or manager of any county, city, or town (or upon equivalent officials in counties, towns, and cities having alternate forms of government) lying within Contel's service area. Service shall be made by first-class mail or delivery to

the customary place of business or residence of the person served.

(7) This Case is now continued generally.